

Washington State Liquor Control Board

INTER-OFFICE CORRESPONDENCE

Town: Olympia

Date: December 16, 1970

To: Leroy M. Hittle

Exhibit A

From: I. W. (Bob) Hilson

Subject: Petition to Amend Rule (49) (Beer Price Posting...etc.), Submitted by Washington Beer & Wine Wholesalers Association, Inc., on 12/7/70

Summary of Proposed Changes:

(a) Would authorize wholesalers to establish and file prices to retailers on beer manufactured in Washington State. Under present regulation local brewers post these prices for said wholesalers. Wholesale prices on out-of-state beers are currently filed by the distributors.

(b) In-state-brewers and certificate of approval holders, (composed principally of out-of-state brewers) would be required to file contracts covering their prices to wholesalers by not later than the first day of the month, to become effective on the first day of the next calendar month. Currently, the state brewers and certificate of approval holders may file such contracts at any time, with effective dates set at their individual options.

(c) Wholesalers would be required to file their wholesale price schedules by the fifteenth day of the month, to become effective on the first day of the succeeding month. An additional five days (until the 20th day of the month of filing) would be allowed for the revision of a price posting to rectify errors, omissions, or to meet lower posted and filed competitive prices. These could not be revised to a figure lower than the competitive price. Under present regulation wholesale prices may be posted at any time but cannot be put into effect in less than ten days after being filed.

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(d) Under the proposed revision, a wholesaler or importer who filed a reduced price on any beer package would be required to "freeze" the item at the reduced price for a period of not less than 180 days from the effective date of that posting.

It is interesting to note that while the wholesaler would be "locked in" with a reduced price for 180 days, there is no provision included which would similarly affect a supplier who lowered a contract price to a wholesaler. Consequently the contract prices could fluctuate from month to month, regardless of the impact on the wholesalers.

Supervisor's Observations Re Petition on Rule (49)

Obviously a key purpose for the requested changes appears to be reflected in the petitioner's statement submitted in support of the petition: "Wholesalers of Washington manufactured beer brands are requesting a right which is presently enjoyed by other businesses in the state--in essence, the privilege to establish prices to retailer."

In my opinion, the underlying and more accurately described reason for the requested amendments is a belief on the part of the wholesalers that they will enjoy greater markups than the margins presently established by the suppliers.

While I feel that fragmenting the responsibility for posting prices will lead to a greater inconsistency of wholesale prices throughout the state, I am acutely aware of the discontent among many of the wholesalers relative to the current system of posting. Therefore, I am not opposed to changing the regulation in a manner which will allow the wholesaler to establish his pricing structure, providing that certain additional revision is made in the proposed amended rule.

Specifically, the second paragraph in Section (a) includes a provision that "All price postings shall be consistent as between the various packages and containers offered for sale." I recommend that this provision be deleted for two reasons. In the first place, it places a restriction on the posting wholesaler which appears to contradict his stated purpose of establishing his prices in a manner similar to other businesses. Further, the Beer and Wine Division's task of administratively processing price postings is going to be increased greatly, due to the voluminous number of price filings which will be submitted. As an example, five brewers are presently collectively filing prices for over 140 wholesalers--this ratio of filings will be exactly reversed.

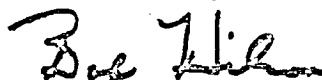
We will have a very short period of time after the 20th of the month to process these postings and have them checked and approved for the effective date on the first of the following month. The task of checking and comparing individual prices on each wholesale posting to assure consistency between packages and prices, plus any added action which might be necessary to have a wholesaler readjust an inconsistent price, would be totally infeasible in the length of time available under the proposed regulation change.

Also, it can be assumed that some wholesalers, as they have done in the past, would disagree with our judgment on price consistency and employ tactics which would delay and otherwise disrupt our administrative functions. It should be noted that a change in the posting of wine prices is concurrently being requested which is almost identical with the proposal covering beer. The processing of price schedules for both beer and wine would have to be accomplished during the same period each month. To carry out this monthly assignment, along with our normal office workload, will be a difficult, time-consuming job for our staff.

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Therefore, it is my recommendation that regulatory requirements governing wholesale prices be limited strictly to compliance with the state fair trade law. The provision in Regulation (49) which requires adherence to Regulation (124) (4) appears to adequately cover this situation. I have no objection to the 180-day price reduction "lock-in" provision offered in the petition.

Certainly it should be emphasized that each wholesaler must assume the responsibility of informing himself between the 15th and 20th of each month of the prices posted by his competitors in order to adjust his own prices, and/or to correct errors or omissions in his own price schedules. It appears that the only plausible way for this to be accomplished will be for the wholesaler or his representative to personally come to Olympia to examine the postings and make the necessary corrections at that time. (This could create quite a traffic jam in our department!)



I. W. (Bob) Hilson, Supervisor
Beer and Wine Division

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cc: Jack Hood
Don Eldridge
Art Mickey